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AUTHOR Heydinger, Richard B.
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ABSTRACT

The University of Minnesota's response to financial cutbacks due to unexpected reductions in state revenues is discussed. The public higher education system and each state agency submitted alternative retrenchment budgets. The University of Minnesota proposed three approaches for cuts at the 12 percent level: across-the-board reduction; closing selected programs and campuses; and closing the entire university for one academic quarter. By June 30, 1983, the university had to reduce its expenditures and/or increase its income by a total of $25.6 million from the original amount budgeted for the 1981-1983 biennium. Within the university, priority statements that specifically identified the high and low priority programs in a college were drafted, along with a table, which is enclosed, summarizing 90 programs that were to be either eliminated, reorganized, or reduced. A voluntary separation and early retirement policy was also made available to faculty in programs that were affected. Finally, the mix of spending reductions and income enhancements to balance the projected shortfall was determined. The following criteria were utilized for program planning: quality, connectedness, integration, uniqueness, demand, and cost effectiveness. (SW)

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Using Program Priorities to Make Retrenchment Decisions:

The Case of the University of Minnesota

Richard B. Heydinger*

In the past few years, many state institutions have been forced to make financial cutbacks on short notice because of unexpected reductions in state revenues. Few, however, have been as successful as the University of Minnesota in applying a planning process based on program priorities in such situations. The experience of this multi-campus system, which includes the largest single campus in the nation (Twin Cities), was the subject of a panel discussion at the 1982 SREB Legislative Work Conference in Baltimore, Maryland.

Phase I: State-Mandated Alternatives

The events, described by some as "the University's fiscal crisis," can be divided into three phases. Phase I, which I have called "State-Mandated Alternatives," began in October 1981, with the announcement of a projected $750 million deficit by the close of the 1981-83 biennium. Because the constitution does not permit the state to carry deficits, the governor requested each state agency and the public higher education system to submit alternative retrenchment budgets outlining 8 percent, 10 percent, and 12 percent cuts for the biennial budget ending June 30, 1983. The deadline for these proposals was set at two weeks.

The University of Minnesota was unable to meet that deadline and, when it did respond, instead of cuts at 8 percent, 10 percent, and 12 percent, the University proposed three approaches, all at the 12 percent level. The first alternative was an across-the-board reduction; the second proposed closing selected programs and selected coordinate campuses; and the third suggested closing the entire University for one academic quarter. Central administration presented each alternative on a single sheet of paper, along with a five-page question-and-answer sheet prepared by the Office of State Relations. The questions and answers focused on those issues anticipated to be most frequently raised by the legislature and the public concerning the University's response to the governor; 2,000 copies were distributed to the legislature and throughout the state.

There is little doubt that the public was surprised by the magnitude of cuts required to trim 12 percent from the operational, biennial budget of the University. Some accused us of "crying wolf," for it appeared as if we were closing much more than 12 percent of the University. And in fact we would be; for, taking a 12 percent biennial cut in slightly more than one year results in a much larger cut in services during the affected period.

The success of the University's response was due in large measure to the careful articulation of our position. A special meeting of the Board of Regents was called at which the three 12 percent alternatives were widely debated. Because the University is located in the major metropolitan area of the state and is the state's only major research institution, meetings of the Board of Regents typically receive extensive coverage by the press and electronic media. This special meeting was no exception.

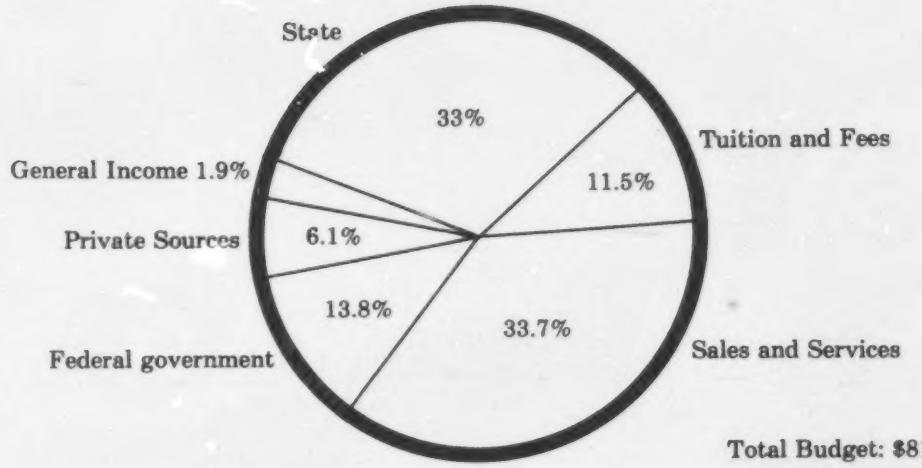
After a debate of the alternatives, the Regents passed a resolution stating that the University could return $10 million as its contribution to the state's fiscal problems, that any cut above $37 million would require financial exigency, and that a $57 million alternative would undermine the University's viability.

After the legislature made its decisions, the University was notified that it would receive $19.6 million fewer dollars to spend in the 1981-83 biennium than was originally appropriated. This, when added to an already planned deficit of $6 million, meant that by June 30, 1983, the University had to reduce its expenditures and/or increase its income by a total of $25.6 million from that originally budgeted for the 1981-83 biennium. (To provide a point of reference, Figure 1 summarizes the annual operating budget of the University.) Although a

*Richard B. Heydinger is Assistant to the Vice President for Academic Affairs, The University of Minnesota.

Figure 1

Sources of Revenue
University of Minnesota
1982-83 Budget



Total Budget: $818,273,246

cut of this magnitude would have been unthinkable four months previously, both the University faculty and administration set about making the necessary decisions, knowing full well that the fiscal climate of the state had suddenly and drastically changed.

Phase II: Program Planning

With notification of the reduced appropriation, the University looked to its existing planning and budgeting mechanisms to make the difficult decisions facing it. Fortunately, the University had initiated an institution-wide planning process two years earlier. Although significant amounts of energy had gone into this effort, the process was actually floundering. If one had polled the deans in the fall of 1981, they would have been confused by the relationship between the planning and the budgeting mechanisms. This fiscal crisis presented central administration with an opportunity to permanently join these two important institutional processes.

As we entered this program planning phase, central administration reiterated the four principles on which the University's planning process rests:

- The process must involve all academic and all support units—"no stones should go unturned."
- Faculty must be the primary architects of collegiate and curriculum planning.
- Central administration would not tolerate the submission of "wish lists." Colleges were given enrollment projections and expected resource targets and told to plan accordingly.
- The planning process would be completely integrated with the budgeting process; the University's chief officers were to execute both processes.

The goal of the program planning phase was to arrive at a set of specific program priorities which the budgeting process could then follow. To accomplish this, the vice presidents held planning conferences with the major academic and support units reporting to them. Deans and directors were asked to identify those programs of highest priority and those of lowest priority. As guidelines, units were told to expect to move 10 percent of their resources: 5 percent would be taken back centrally to meet the retrenchment and 5 percent would be shifted from low to high priority needs within the unit. Recommendations for program changes were to be based on the program planning which had already been completed. If departures from these plans were necessary, the academic governance process of each college was to be utilized. This was the extent of the instructions received by the units.

Figure 2

Excerpts From Program Plans: 1982-85

Programs Proposed for Elimination, Reorganization, and Reduction; Programs Proposed for Growth and Development Not Included (Twin Cities Campus)

TWIN CITIES	Proposed Program Reductions	Actions Taken To Date (January 1983)
Agriculture ($127,000)*	Reduce Agricultural Engineering	Courses dropped in computing, drawing, and surveying
	Reorganize and reduce Career Development, Professional Experience, and Prospective Student Services	One "creative" retirement taken
	Reorganize Entomology, Fisheries, and Wildlife	Fisheries and Wildlife move to Forestry approved by College; Entomology remains in Agriculture
	Reorganize Rhetoric	Retrenchment through retirement; sections cut in listening and public speaking
	Reduce and reorganize Agricultural Journalism	Split with Ag Information completed; department to be phased out *Also:* Funds reallocated to Soil Science, assistant professor hired
Biological Sciences ($81,000)	Reduce Taxonomy within Botany	One "creative" retirement taken
	Reduce Curatorial Specialties in Bell Museum	One academic position eliminated
	Reduce Vertebrate Natural History	
Dentistry ($120,000)	Eliminate Dental Assisting	Implemented. Last class graduated June 1982
	Reduce Dental Hygiene	Implemented. Now 50 entering (was 150)—now 9 months was 12 months
	Reduce instructional support	Implemented. 3.5 civil service in audio-visual support and student services
	Reduce graduate program offerings	Not implemented
	Reduce D.D.S. enrollments	Implemented on a preliminary basis. Reduced 15 spaces beginning Fall Quarter 1982
	Reorganize programs in clinical departments	Not yet fully implemented *Also:* Special Appropriation for Cystic Fibrosis was reduced by $15,000 (24%) as a permanent annual reduction
Education ($172,000)	Reorganize Psychoeducational Studies	Dept. of Educational Psychology and
	Reorganize Social, Psychologial, and Philosophical Foundations of Education	Dept. of Educational Policy Studies formed; one civil service position and one department chair position eliminated
	Reduce Educational Administration	Combined with Educational Policy Studies; 2 positions cut
	Reduce Physical Education	Program under review; 2 positions cut, one "creative" retirement taken; department reorganization underway
	Reduce Education Career Development Office	Administrative reorganization underway; one position cut *Also:* Discontinued M.A. in Secondary Education

Liberal Arts ($613,719)	Eliminate Library School as presently structured	Admissions suspended; final study committee appointed; one "creative" retirement taken
	Reorganize Social Work	Task Force study completed
	Reorganize American Indian Studies	Authorized faculty: 3 shared, 1 core
	Reorganize Chicano Studies	Authorized faculty: 1 shared, 1 core, 1 shared search underway
	Reorganize Composition	Separate budget established, Task Force study completed
	Reorganize Humanities	Under study, 1 "creative" retirement and 1 retirement taken
	Reorganize Classics	Under study, 1 resignation received
	Reorganize Comparative Literature	Under study
	Reorganize Religious Studies	Shared faculty base
	Reorganize and Reduce Afro-American and African Studies	Under study, 1 resignation received
	Reorganize and Reduce Russian and East European Studies	Shared faculty base; 1 "creative" retirement taken
	Reorganize and Reduce East Asian Studies	Shared faculty base
	Reorganize and Reduce South Asian and Middle Eastern Studies	Shared faculty base, low enrollment language courses reduced, consolidated into South and Southwest Asian Studies *Also:* In addition to above, 5 "creative" retirements and 9 resignations/retirements not to be replaced. Designated minors in Linguistics and Religious Studies approved
Nursing ($56,500)	Reduce Baccalaureate Nursing Program	Implemented. 3 faculty and one half-time pre-admission advisor terminated. School accommodated admission pressure to undergraduate nursing program by changing mix of R.N. and generic students admitted. *Also:* School's External Master's Program funded by special appropriations has been permanently reduced by 34%. Course offerings at one location have been eliminated. The Emergency Nurse Program has been eliminated. Emergency Room nurses desiring updating on ER procedures must now use continuing education and extension course offerings.
Pharmacy ($70,000)	Reduce Clinical Externship Program	Implemented. Program administration has been merged with existing functions
	Eliminate Community-University Health Care Center (CUHCC) education service program	Implemented. Function has been eliminated *Also:* Gardener and Electronics Technicians positions eliminated

NOTE:
*All dollar figures are permanent program reductions which either have already taken place, or have been approved and are scheduled to take effect on a specific date. Anticipated, contemplated, or nonrecurring changes are not included.

Following these conferences, central administration drafted one- to three-page program priority statements which specifically identified the high and the low priority programs in a college. For example, the College of Biological Sciences stated that behavioral biology would be developed, while population biology would be deemphasized. At this stage neither the magnitude of the change nor the dollars involved in these cuts were specified. Central administration was adamant that only when program planning preceded budgeting could sound, long-range decisions be made.

The program priority statements for all of the colleges, along with a lengthy introduction and a four-page table summarizing 90 programs that were to be either eliminated, reorganized, or reduced (see Figure 2) were forwarded to the Regents for their information and review.

As in the first phase, the University's official deliberations received extensive media coverage. The four-page summary table was reproduced in major newspapers around the state, resulting in the receipt of many letters protesting the proposed changes. Faculty members in selected units also protested some of the proposals, saying that they had not been fully consulted prior to the planning conferences. In response, the academic vice president wisely accepted this criticism but turned the issue back to each college for further deliberation. Colleges were told that changes in the program priority statements were certainly acceptable; however, the responsibility to revise its set of low and high priority programs rested with each college. Central administration would not accept the argument that all programs were of such importance that they could not be cut back over time. The era for such arguments had passed for the foreseeable future at the University of Minnesota. In this way, matters best decided through collegiate governance were regularly referred back to the colleges for their decision. Thus, the colleges could not avoid this ultimate responsibility.

Parallel with the program planning process, central administration drafted a "voluntary separation and early retirement" policy that would be made available to faculty members in programs cited for elimination, reduction, or reorganization. This policy included buy-out options, with the deans being given significant latitude to negotiate individual packages with faculty members. This policy was approved by the Regents and was in place when the final academic program priorities were agreed upon.

In retrospect, given the high level of emotion which characterized the entire year, this program planning process worked well. Throughout the fall, the administration worked closely with the university-wide Senate to develop criteria for program planning. Six criteria were agreed upon: quality, uniqueness, connectedness, integration, demand, and cost-effectiveness (see Figure 3). Colleges were instructed to utilize these criteria in developing their program priorities. Similarly, central administration used the same criteria in reviewing trade-offs among the colleges. The University was successful in coming through this stressful period with sound academic program plans, because sound principles of academic governance were upheld and criteria for decisions were developed jointly.

Phase III: Budget Determination

The third and final stage of this hectic year was the determination of the mix of spending reductions and income enhancements to balance the projected shortfall. These budgeting decisions were guided by the program priorities agreed to in Phase II. In addition, the president issued a general set of principles:

- Academic programs were to be protected as much as possible.
- Administrative and service areas were to bear as much of the cuts as possible.
- Across-the-board cuts would not be acceptable; cuts were intended to be programmatic, even in support areas.
- Tuition was to be kept as low as possible.
- At all costs, the University was to avoid declaring financial exigency.

The budgeting process proceeded from the general to the specific. Adhering to these principles, the central officers debated the level of cuts to be absorbed by the broad functional areas of the University.

Spending cuts taken in those areas supported by state appropriations would make up the bulk of the shortfall (approximately 75 percent). Revenue enhancements, primarily in the form of a tuition increase, would cover the remainder of the shortfall. In proportional terms, administrative services (for example, janitorial services) were asked to bear the largest cut (9 percent on the average), with academic support services (for example, computer center) experiencing a lighter cut (5 percent on the average), and instructional units (that is, colleges) receiving the smallest cut (3.5 percent on the average).

After the level of cuts was determined for these broad categories, budget targets had to be de-

Figure 3

Criteria Utilized for Program Planning

- **Quality** — Particularly in academic programs, it is difficult, as a practical matter, to build quality in a conscious and deliberate way. Where it occurs, it is often the result of the happy combination of opportunity, good luck, and foresight. Thus, once a university has achieved a high level of quality in a program, it should make every effort to preserve it; and where an obvious opportunity exists to make a substantial improvement in quality with a realistic investment of resources, it should be taken.
- **Connectedness** — This somewhat awkward word refers to the extent to which the programs of a department or college serve other departments and colleges. Where this connectedness is high, it is unrealistic to consider extensive reductions in its activities unless alternative arrangements can be made to provide for the instructional or support activities.
- **Integration** — The University's particular commitment to teaching, research, and service suggests that those programs that integrate all of those activities well are especially appropriate and important. In large part this is because the University is committed to and responsible for both the generation and transmission of knowledge, and those activities are best stimulated and provided for in an atmosphere in which individual faculty and programs are committed to both.
- **Uniqueness** - It is certainly true that the University's land-grant mission suggests that where we have a unique and useful program, we should have a strong commitment to maintain it. However, in making this determination, it is also important to consider whether the program is appropriate to the University's role and strengths, and whether it could or should be offered elsewhere.
- **Demand** — Demand is obviously an important factor, but we must be careful not to interpret it too narrowly. That is, we must avoid considering demand to be measured only by the number of students seeking admission to regular, full-time undergraduate or graduate programs. Part-time students and outreach audiences must also be considered in assessing demand and, from another point of view, the needs of employers for individuals trained in certain disciplines constitute a form of demand. Moreover, the demand for the other "products" of the University, such as its research contributions to the solution of pressing economic and social problems, and its contributions to the quality of life are equally valid issues to be considered in assessing this factor.
- **Cost-effectiveness** — Whether in an era of growth or contraction, our aspirations are always limited by the resources available. Thus we must continually examine our programs to see if there are less costly ways to offer the same program or more efficient ways to accomplish the same ends. Yet cost alone must not govern our decisions, for the effectiveness of the program must also be weighed. When taken together, cost and effectiveness provide one important measure of whether we are putting our funds to best use.

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cided for the units within each category. Decisions on cuts for the support units, plant services, and state-sponsored research programs were made centrally. Levels of cuts for the academic programs both on the Twin Cities campus and the coordinate campuses were set according to the intercollegiate priorities agreed on by the central officers. These cuts ranged from 11 percent to 0.5 percent of a college's annual budget. The colleges were then requested to describe (in a common format) the programs which would be asked to absorb these cuts. Revised budgets were to build on the academic program priorities as much as possible. When cuts did not follow the priorities, a rationale had to be spelled out. As revised budgets for 1982-83 were submitted, they were monitored for consistency with the program priority statements.

Some Lessons

If it can be said that the University of Minnesota weathered this fiscal storm, a number of factors can be cited as contributing to this effort.

1. The University held off making specific budgetary decisions until the program planning process had run its course. In this way, units debated program choices rather than unnecessarily focusing only on a monetary target.
2. The University had in place an institutional planning process upon which it was able to build. Most units had already developed plans and to some extent had debated their priorities. In the face of this crisis, the fundamental groundwork had been laid.

3. Perhaps the single most important factor was that *faculty* and the colleges developed the program priorities. Although some people criticized the lack of faculty involvement and the short time frame, generally there was a sense of collegiate ownership in these recommendations. Whenever the public criticized the decision, the full University community usually stood behind the recommendation.
4. The criteria for the program priorities were developed jointly by the vice president for academic affairs and a leading faculty-student governance committee. Again, there was university-wide "ownership" of these guiding principles.
5. The University adhered to the maxim that there would be no across-the-board cuts. Schools such as Technology, Management, Public Health, and Law had no permanent reductions in 1982-83. The University was true to its principle of building selected programs even in the face of its worst retrenchment.
6. All units were dealt with simultaneously and with the same level of detail. Program priority proposals were released to the public for all units. In this way, no one felt unfairly treated.
7. By specifying priorities in detail, there was little doubt about which programs were least favored. The backroom intrigue and gossip about "hit lists" was eliminated. Moreover, faculty could make longer-range career choices with much fuller knowledge of where their department stood in the overall priority of the college. When complemented with a sensitive personnel policy giving people financial flexibility, a process based on sound principles of academic governance and organizational management resulted.

Certainly these are not pleasant times for higher education. Yet, I believe, our experiences at Minnesota have demonstrated that it is possible to preserve the integrity of academic governance essential to a high quality institution and continue to build programs in the face of some decline. All of this can be done while being sensitive to the needs of individual faculty members and administrators whose careers are adversely affected by these constraints.

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